

heijmans

Half year report

2023



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Royal Heijmans: solid first half and confidence in the future

Highlights

- Revenue rises to € 937 million (was € 864 million in first half of 2022).
- Sharply higher revenue at Infra and Non-residential more than offsets lower revenue at Property development
- Order book increases to € 2.6 billion, from € 2.4 billion.
- Underlying EBITDA € 49 million, all business areas within strategic ranges.
- 100 years of Heijmans: awarded Royal predicate.
- All Heijmans business areas achieve step 4 on the safety ladder.
- Acquisition of Van Wanrooij announced on 21 June.
- Outlook: higher revenue; underlying EBITDA of at least € 107 million

Key figures

x € 1 million

	H1 2023	H1 2022	2022
Revenues	937	864	1,812
Underlying EBITDA* excl. Wintrack II	49	48	107
Underlying EBITDA*	49	67	126
Result after tax	18	30	60
Earnings per share (in €)	0.77	1.31	2.56
Order book	2,641	2,234	2,358
Net cash	116	101	151
Solvency	30%	29%	29%
Number of FTEs	5,021	4,843	4,924

* The underlying EBITDA is the operating result before depreciation and amortisation, including EBITDA joint ventures, excluding property write-downs, reorganisation costs, acquisition costs of new entities and, if applicable, any other cited non-operating results that the Group considers exceptional.

Ton Hillen, Heijmans CEO

"Royal Heijmans enjoyed a good and memorable six months. In early June, we rounded off a period in which we celebrated 100 years of Heijmans with a grand party where we were joined by thousands of employees and their partners. And the company was awarded the Royal predicate. The crowning of our work and that of the many generations before us.



CEO Ton Hillen

"As expected, the strong performance of Building & Technology and Infra more than offset the lower revenue at Property development."

On 21 June, we announced that we had reached agreement with Van Wanrooij Bouw & Ontwikkeling on the acquisition of this Brabant-based family business. The proposed transaction, which is subject to approval by the Dutch Consumer & Market Authority, strengthens Heijmans' market position in construction and property development in the Netherlands and doubles our property development work in hand to 29,000 new-build homes from approximately 15,000. Despite challenging market conditions in the housing market, this puts Heijmans in an excellent position to accelerate production as soon as the housing market recovers. After all, given the current housing shortage and demographic trends, the demand for housing will only increase in the future.

All our business areas once again performed well in the first half of 2023, within the strategic underlying EBITDA ranges set by Heijmans. Our revenue and result development was in line with the previous outlook we issued. As expected, the strong performance of Building & Technology and Infra more than offset the lower revenue at Property development.

Our Infra business area is managing to respond in an agile fashion to the central government's heavier emphasis on the replacement and renovation of the existing road network. We are also working on the flood protection programme and on shaping the energy transition. Building & Technology's order book developed strongly, especially within the Services business units and on the large integrated projects front. At Property development, as expected, we saw a decline in revenue and margin that was in line with market trends. I am satisfied with the figure of 876 homes sold in the first half of the year. That may be a 15% decline on the comparable period last year, but it was higher than in the second half of 2022. The underlying indicators for the housing market remain healthy in the medium term, despite the current headwinds. Heijmans is therefore confident about the future."

Safety is essential

At Heijmans, we see safety as essential: either we work safely or we do not work at all. In June, our non-residential building business area was awarded the step 4 safety ladder certificate. The safety ladder is one of the ways of assessing the development of a company in terms of safety. The primary focus of the safety ladder is on attitude and behaviour and it makes awareness of safe working practices measurable, transparent and comparable. This is why the safety ladder is a perfect fit with Heijmans' strategy of becoming a proactive organisation in the field of safety.

With the help of our dedicated Safety department, we made an extra effort across our organisation and placed even more emphasis on this theme over the past quarters. This does not mean we are there yet. The biggest challenge we face in achieving the goals we have set is to increase safety awareness and proactive safe behaviour, both at Heijmans and throughout the production chain. This will require constant attention, not least of all from our own employees.

Moving forward on sustainability

As a trend-setting player in the sector, Heijmans wants to play a leading role in making the living environment more sustainable. We can make a difference by designing sustainably, with an eye for alternative and decentralised energy generation, efficient (re)use of resources and optimal commitment to user comfort and experience.

As the creators of a healthy living environment, in 2018 Heijmans expressed its ambition to be CO₂ neutral (scope 1 and 2) from 2023. This will happen on four fronts: our mobility, our equipment, our construction sites and our offices. We have already taken another step in the right direction in terms of our own mobility. From 1 January 2023, employees can only choose a lease contract for an electric car. And we have shortened current lease contracts for fossil fuel driven cars from five years to a maximum of three. Our goal is to have an emission-free lease car fleet by the end of 2025. In addition, we use Hydrotreated Vegetable Oil (HVO) when diesel is still required.

We also want to use raw materials and materials as efficiently as possible and reuse them wherever we can. We cannot do this alone. We will only achieve our objectives if we involve our peers and our cooperation partners in making our operations more sustainable. For example, during the implementation of major maintenance on the Zwanenburg runway at Schiphol, we managed to reuse most of the asphalt we were asked to renew.

Carrying out work without emitting CO₂ or nitrogen in the process is becoming increasingly important, especially near nature reserves. Heijmans is pioneering the use of emission-free equipment, such as cranes, rollers and transport equipment. In the first six months of 2023, we took 10 units of new large electric equipment into service, including four crawler excavators. Heijmans now has 17 pieces of large electric equipment in use, and we have ordered over a dozen new electric pieces of equipment. Thanks in part to these initiatives, Heijmans is getting closer to the realisation of its ambition to be carbon-neutral in terms of direct emissions by this year. Unfortunately, despite all our efforts, we are not going to achieve this goal in 2023. Nevertheless, in view of our new strategy, we continue to set the bar high in terms of our sustainability ambitions.

The main challenge is reducing emissions during the execution of our operations. On the one hand, this challenge is due to the increasing demand for electric equipment. First of all, the market for what was originally fossil fuel-powered equipment is now faced with waiting times due in part to the global shortage of chips. And the fact that this equipment can then only be converted manually is also leading to delays. On the other hand, we need a change in culture, at both Heijmans and our clients. We need to break through traditional patterns of behaviour in the implementation stage, choosing the most sustainable solution rather than the cheapest.

Outlook

Partly in view of our increased order book, Heijmans expects to record higher revenue in the full-year 2023. Revenue is rising at Infra and Building & Technology, more than compensating for the decline in revenue at Property development. In our previous outlook for 2023, we stated we expected slightly higher revenue with underlying EBITDA comparable to 2022 (at a level of € 107 million). On the basis of the solid progress we have made in the first half of the year, we now believe we can achieve this as a minimum, taking into account the one-off costs related to 100 years of Heijmans. The outlook for 2023 together with our well-filled order book also gives us confidence for 2024.

The long-term outlook for our sector remains good, given the significant investments required to solve the housing shortage, protect against rising sea levels, changing climate conditions and to shape the energy transition. In addition, we are on the eve of a major replacement and renovation drive for the Dutch road network, including bridges and viaducts. Given the challenges facing the Netherlands, it would be good to have another cabinet soon that can count on fruitful cooperation with parliament.

The acquisition of Van Wanrooij announced on 21 June is pending approval from the Dutch Consumer & Market Authority and this is expected in the third quarter of 2023. The extent to which this acquisition contributes to Heijmans' revenue and EBITDA in 2023 will depend on the date the transaction is effectuated.

Developments per business area

Property development

Property development looks back on a six-month period in which challenging conditions in the housing market in particular played a significant role in its performance. Sales of inner-city high-rise apartments in the affordable segment went reasonably well. This could not be said for sales of inner-city high-rise apartments in the more expensive price segment. Out-of-town sales did go well. A bright spot at Heijmans is that we sold more homes in H1 2023 than we did in H2 2022. This was partly thanks to the flattening of the rise in mortgage interest rates and inflation, together with the stabilisation of consumer confidence.

x € 1 million

Property development	H1 2023	H1 2022	2022
Revenues	200	294	570
Underlying EBITDA	13	21	42
Underlying EBITDA margin	6.5%	7.1%	7.4%
Order book	523	676	596

In the first six months of this year, Heijmans sold 876 homes (compared with 1,031 in H1 2022), with a stable trend in B2B sales (602 in 2023 compared with 598 in 2022) and a decline in B2C (274 in 2023 compared with 433 in 2022), mainly driven by low sales of homes in the more expensive price segment.

Rising mortgage rates and inflation had an impact on consumer confidence and the borrowing capacity of home seekers. In addition, the lack of suburban planning capacity in particular was and remains the bottleneck in the addition of new affordable houses. Houses priced at up to € 550,000 remained a market segment where sales were still at a reasonable level. Heijmans has a number of projects in that market segment and managed to sell a reasonable number of homes, including in Lent near Nijmegen, in Pijnacker and in Zutphen. Housing corporations have once again increased their investments in the rental market, especially in transformation districts such as the Afrikaander neighbourhood in Rotterdam, where the local council and Heijmans are working together to realise targeted quality improvements through area development.

As a rule, Heijmans does not start construction until 70% of the homes in a project have been sold. We can occasionally deviate from this rule of thumb if the risk profile of the project is deemed acceptable, as happened in Zutphen. In the latter project, it was decided to start construction when presales had reached 50%. More than 60% of this project has now been sold and we expect to complete the project in 2025.

For the second half of the year, Heijmans remains dependent on the issuance of permits for several large projects. In addition, the government could stimulate supply in the housing market by activating large expansion locations in suburban areas. This would offer property developers like Heijmans the opportunity to realise energy-efficient (family) homes.

Building & Technology

Building & Technology performed well, recording a sharp increase in revenue, partly driven by renovation assignments for housing corporations and recurring business in the Services domain. In the first six months of this year, Heijmans renovated approximately 900 homes and made them more sustainable. This was almost double the approximately 500 homes renovated in the same period last year. Due to the conscious decision to allow Residential building to reach agreements on a number of construction contracts with external parties, such as investors and corporations, Residential building's financial performance remained at a healthy level, despite the pressure on the housing market for private buyers. Heijmans' Non-residential business area also delivered a solid performance, with more one-to-one projects, the winning of tenders in non-residential project construction, and more long-term maintenance contracts. As a result, Building & Technology's order book increased to just over € 1.5 billion.

x € 1 million

Building & Technology	H1 2023	H1 2022	2022
Revenues	510	429	933
Underlying EBITDA	21	17	38
Underlying EBITDA margin	4.1%	4.0%	4.1%
Order book	1,515	1,267	1,227

One of the many new contracts that Heijmans won in the first half of this year was the contract to redevelop the Arnhem station area, commissioned by the Central government's Real Estate Agency (Rijksvastgoedbedrijf). This project involves the renovation and expansion of a building to realise a new government office, which will act as a showcase in terms of sustainability. The listed building, a former post office, will house the Dutch Tax Authority, the Central government's Real Estate Agency and the Executive Education Agency (DUO).

Heijmans also won a number of prestigious contracts from housing corporations in the first half. Cazas Wonen commissioned Heijmans to build 120 rental apartments in the sustainable Snellerpoort district in the western part of Woerden. Heijmans concluded an agreement with the Woonkracht10 housing corporation for the realisation of 137 new-build houses and apartments in the Kraaihoek district in the centre of Papendrecht. Another housing corporation, Woongroep Marenland, awarded Heijmans the contract to renovate 292 homes in the municipalities of Eemsdelta and Het Hogeland and make them more sustainable.

The past six months was also marked by a number great results. One of these was the completion of Heijmans' renovation of Paleis Het Loo. Another milestone was the start of the large-scale renovation of the Gemini North educational building on the grounds of the Eindhoven University of Technology (TU/e). This project involves the low-rise section with laboratories and teaching and study areas with a floor area of 14,000 square metres. In coordination with the client, Heijmans has made a start on the technical design for this facility. Plus the new-build project for 735 student homes on the TU Eindhoven campus is currently in full swing. Heijmans is aiming to complete this project in the summer of 2024.

In June, Heijmans delivered the first project phase of the refurbishment and new-build construction of an asylum seekers' centre in Zeist. The project is part of a national maintenance and management contract with the Dutch Central Agency for the Reception of Asylum Seekers. Heijmans has a well-filled portfolio of long-term maintenance and management contracts with both public and private clients. Our Services business unit won a number of new contacts for clients including the Leiden University Medical Centre (LUMC) (renovation of the Casualty department) and the Central government's Real Estate Agency (replacement of fire alarm systems).

Infra

In line with expectations, the Infra business area delivered a solid performance in the first six months of 2023. Revenue increased by more than 20% compared with the same period a year earlier and as expected bounced back to 2021 levels. The underlying EBITDA margin was at the high end of Heijmans' strategic range for Infra.

x € 1 million

Infra	H1 2023	H1 2022	2022
Revenues	381	309	661
Underlying EBITDA (excluding Wintrack II)	23	15	36
Underlying EBITDA margin (excluding Wintrack II)	6.0%	4.9%	5.4%
Order book	1,010	830	1,007

One of the many great projects realised in the first half of this year was the opening of the Piet Hein tunnel in Amsterdam. In early May, Heijmans also completed the major maintenance of the Zwanenburg runway for Schiphol Airport. We completely renewed the asphalt of the runway, covering an area of 86 football pitches, and we managed to reuse 60% of the asphalt to be renewed. We also replaced all runway lighting with a more sustainable LED lighting system. In the process, we replaced a total of more than 400 kilometres of cable and 2,300 lamps. This maintenance ensures that Schiphol will be able to continue to use the runway in the coming years.

In March, the central government confirmed that improving and maintaining existing infrastructure is a priority. As a result, work is increasingly shifting from the building of new roads to replacement and renovation projects. For Heijmans' Infra business area, this offers attractive opportunities and the potential to compete for central government replacement and renovation budgets worth around € 3 billion a year.

The reconstruction of the De Nieuwe Meer intersection in Amsterdam, a major tender won by a consortium including Heijmans in November of last year, is on schedule and the first designs for this project have been submitted. This reconstruction is one of the components of the Zuidasdok programme, which aims to make the northern part of the Randstad urban conurbation more accessible by road and by public transport.

In the past six months, it also became clear that Heijmans will be one of a total of six preferred suppliers for the expansion and reinforcement of TenneT's high-voltage grid in the Netherlands. The EU-302 Civil Works Cable Connections framework agreement has an initial term of eight years. We started the construction of high-voltage connections between high-voltage substations in the first half of this year.

In the past few months, Heijmans also started the sustainable dyke reinforcement of the Groningen section of the Lauwersmeer dyke. Heijmans is using emission-free equipment in this project, including an electric wire crane, and is reusing various materials from the dyke. Another major infrastructure project in which Heijmans is using electric equipment is the widening of the A1 motorway near Twello. In the past six months, Heijmans also started a collaboration in the field of charging infrastructure for electric cars.

Financial results

Revenue

Revenue came in at € 937 million in H1 2023, more than 8% higher than the same period last year (H1 2022: € 864 million).

At Infra, we saw a recovery in revenue on the back of the strong order intake last year. Overall, revenue increased by more than 20%. Building & Technology also saw a revenue increase strongly by almost 20%. Due to the stagnation of residential sales to private buyers since mid-2022, and the withdrawal of institutional investors, revenue at Property development declined by around 30% in the first half of the year.

x € 1 million

	H1 2023	H1 2022	2022
Revenues	937	864	1,812
Property development	13	21	42
Building & Technology	21	17	38
Infra (excluding Wintrack II)	23	15	36
Wintrack II	0	19	19
Corporate	-8	-5	-9
Underlying EBITDA	49	67	126
Correction EBITDA joint ventures	-2	-3	-9
Write down on property assets	0	-4	-4
Acquisition costs	-3	-1	-1
Restructuring costs	-1	0	-2
EBITDA	43	59	110
Depreciation/amortisation	-20	-19	-39
Operating result	23	40	71
Financial results	0	-2	-4
Share of profit of associates and joint ventures	2	1	7
Result before tax	25	39	74
Income tax	-7	-9	-14
Result after tax	18	30	60

Underlying EBITDA

The underlying EBITDA margin remained at a healthy level of 5.2% and all business areas remained within the strategic ranges. Underlying EBITDA fell to € 49 million in H1 of this year, from € 67 million last year. It should be noted that the first half of last year included a € 19 million release of a provision at Infra. Adjusted for that effect, we saw a slight increase in underlying EBITDA. Infra realised a margin of 6%, at the upper end of its strategic range, due to the strong revenue development, which in turn produced a strong contribution margin. Property development's performance was at a lower absolute level, but the margin remained intact at a level of 6.5%. At Building & Technology, underlying EBITDA increased in line with revenue, keeping the margin at 4.1%. This included the start-up costs incurred for the timber-frame plant, which started operating at 1 July 2023.

Net profit

Net profit fell to € 18 million in H1 2023, from € 30 million in H1 2022. This difference was largely due to the impact of the release on the Wintrack II provision in the same period last year. H1 2023 also include one-off costs of around € 3 million related to '100 years of Heijmans'. In addition to what was stated in the context of underlying EBITDA, one-off expenses were also slightly lower than last year. This year, the main item (amounting to € 3 million) was related to transaction costs for the proposed acquisition of Van Wanrooij, while last year's results included a downward revaluation of a land position (€ 4 million). Depreciation increased slightly when compared with last year and was in line with the strategic direction to continue with the electrification of our equipment and the industrialisation of our production. As a result, investment levels have been above depreciation levels in recent years, but due to the long delivery times for new equipment this was still slightly behind plan. Another relevant development is the fact that the net interest expense was € 2 million lower than last year. This was due to Heijmans' strong net cash position, which has been boosted by debit interest since the end of last year, as short-term interest rates have increased from a negative position to around 3% since the middle of last year. Net interest was also boosted by the cancellation of the cumulative preference shares in 2022. It should be noted that after the acquisition of Van Wanrooij, Heijmans will once again be in a net debt position, which will increase net interest expenses again. The effective tax rate was with 27,2% higher than previous years and the nominal tax rate (25.8%). For a more detailed explanation of the tax position, see section 6.6 of the selected notes.

Order book

The order book increased further in H1 to € 2.6 billion from € 2.4 billion at year-end 2022. Taking into account the increased level of revenue in H1, this was on balance a strong order intake. The order book increased by € 283 million and was almost entirely accounted for by Building & Technology. Infra remained at a healthy level just above € 1 billion. In the first half of the year, Building & Technology acquired 19 medium-sized projects in a range from € 10 million to € 65 million, representing a good spread and a controlled risk profile that meets Heijmans' return requirements. This applies to the Main Contract for Schiphol Airport and the renovation of Gemini-Noord (TU Eindhoven). Residential building (part of Building & Technology) acquired a relatively large amount of work in new projects and sustainability projects at housing corporations. Because Residential building acquired more work from third parties, we saw a sharp drop in intercompany eliminations in the order book. Property development recorded a decline of €73 million, in line with the current market conditions in the housing market that are leading to delays in some projects. In the meantime, we have noted that more than 40% of our future revenue from construction is recurring business, such as Asset Management at Infra and Services at Building & Technology.

Net cash position, cash flow and solvency

The net cash position stood at € 116 million on 30 June 2023, which was € 15 million higher than the comparable period last year (and thus adjusted for seasonal influences in working capital). The increase was due to good operating results, which contributed to a dividend payment of € 1.01 per share, resulting in a cash dividend payment of € 13 million in May.

Property, plant and equipment increased by over € 20 million in these last twelve months, due to the higher level of investment in electric equipment and in the timber frame plant. Working capital remained at a similar level to last year. Within working capital, we saw an increase in pre-financing (i.e., higher work-in-progress credit position) resulting from an increase at Infra and Non-Residential Projects. This was offset by an increase in the inventory position at Property development, primarily due to the fact that we had very few unsold homes under construction last year. Heijmans actively monitors this position, with the Executive Board only in very exceptional cases giving approval to start the construction phase when 70% of the homes have not yet been pre-sold. This keeps the number of homes completed and unsold at a very limited level. The receivables/payables balance remained similar to last year, despite the fact that the statutory payment period for SMEs was shortened to 30 days. While this had a material impact on the balance sheet, Heijmans had already anticipated this legislation in advance.

At 30 June 2023, solvency stood at 30.1% compared with 28.9% a year earlier. While it is true that the balance sheet total increased due to a higher level of activity and the increased net cash position, this effect was more than offset by retained earnings. At 30.1%, solvency was at the same level as year-end 2021. In the meantime, Heijmans redeemed the cumulative preference B shares amounting to €31 million earlier than scheduled.

Financial calendar

2023

- Q3: closing of Van Wanrooij acquisition
- 6 September: EGM amendment of the articles of association (including name change to 'Royal Heijmans NV')
- 1 November: trading update third quarter

2024

- to be determined: the dates of the publication of the 2023 annual results and the Annual General Meeting will depend on the timing of the closing of the acquisition of Van Wanrooij

About Heijmans

Royal Heijmans is a leading Dutch stock exchange listed construction company focused on property development, residential building, Building & Technology and infrastructure. Jan Heijmans started the company at the age of 20 in 1923 as a paving contractor. In the intervening hundred years, Heijmans has built a strong reputation in the industry by making the sector better, smarter and more sustainable. Every day, some 5,000 Heijmans employees work on the creation of a healthy living environment.

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Addenda to the Heijmans N.V. first half 2023 press release

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The financial statements included in this press release have not been audited.

1. Condensed consolidated statement of profit or loss

x € 1 million

	YTD June 2023	YTD June 2022	FY 2022
Revenues	937	864	1,812
Gross profit	125	109	234
Operating result	23	40	71
Financial result	0	-2	-4
Share of profit of joint ventures and associates	2	1	7
Result before tax	25	39	74
Income tax	-7	-9	-14
Result after tax	18	30	60
Earnings per share (in €):			
Basic earnings per share	0.77	1.31	2.57
Diluted earnings per share	0.77	1.31	2.56

The operating result for the first half of 2022 includes the gain of €19 million related to the partial release of the Wintrack II provision set aside in 2021. In the first half of 2023 there was no gain or expense relating to Wintrack II. See section 6.5 of the selected notes.

2a. Consolidated statement of comprehensive income

x € 1 million

	YTD June 2023	YTD June 2022	FY 2022
Result after tax	18	30	60
<i>Other comprehensive income that is never reclassified to the statement of profit or loss:</i>			
Changes in actuarial results on defined benefit plans	-3	1	0
Tax-effect of other comprehensive income that is never reclassified to the statement of profit or loss	1	0	0
Other comprehensive income after tax	-2	1	0
Total comprehensive income	16	31	60
The total comprehensive income is entirely attributable to the shareholders.			

2b. Consolidated statement of changes in equity

x € 1 million

	Paid up and called-up share	Share premium reserve	Reserve for actuarial results	Retained earnings	Result for the year after tax	Total equity
2023						
Balance at 31 December 2022	7	267	-60	43	60	317
Result after tax					18	18
Other comprehensive income			-2			-2
Comprehensive income for the reporting period	0	0	-2	0	18	16
Dividend payment				-23		-23
Issuance of shares		11				11
<i>Result appropriation 2022:</i>						
Transferred to the retained earnings				60	-60	0
Balance at 30 June 2023	7	278	-62	80	18	321
	Paid up and called-up share	Share premium reserve	Reserve for actuarial results	Retained earnings	Result for the year after tax	Total equity
2022						
Balance at 31 December 2021	7	257	-60	14	50	268
Result after tax					30	30
Other comprehensive income			1			1
Comprehensive income for the reporting period			1		30	31
Dividend payment				-20		-20
Issuance of shares		10				10
<i>Result appropriation 2021:</i>						
Transferred to the retained earnings				50	-50	0
Balance at 30 June 2022	7	267	-59	44	30	289

3. Condensed consolidated statement of financial position

x € 1 million

ASSETS	30 June 2023	31 December 2022	30 June 2022
Non-current assets			
Property, plant and equipment	82	73	61
Right-of-use assets	75	72	69
Intangible assets	81	82	83
Joint ventures and associates	74	73	88
Other fixed assets	37	38	48
	349	338	349
Current assets			
Strategic land portfolio	87	79	106
Residential properties in preparation or under construction	91	80	40
Other inventory	14	14	13
Construction work in progress	115	96	109
Trade and other receivables	204	239	201
Cash and cash equivalents	205	237	185
	716	745	654
Total assets	1,065	1,083	1,003
EQUITY AND LIABILITIES			
	30 June 2023	31 December 2022	30 June 2022
Equity	321	317	289
Non-current liabilities			
Interest-bearing	13	12	11
Lease liabilities	52	51	50
Non-interest-bearing	55	56	75
	120	119	136
Current liabilities			
Interest-bearing loans and other current financing liabilities	1	2	3
Lease liabilities	23	22	20
Trade and other payables	337	365	313
Construction work in progress	230	221	219
Provisions	33	38	23
	624	648	578
Total equity and liabilities	1,065	1,083	1,003
Solvency rate	30%	29%	29%

4. Condensed consolidated statement of cash flow

x € 1 million

	YTD June 2023	YTD June 2022	FY 2022
Operating result	23	40	71
Adjusted for:			
Depreciation of property, plant and equipment	6	6	12
Depreciation of right-of-use assets	13	12	24
Amortisation of intangible assets	1	1	5
Adj. valuation of property investments and land portfolio's excl. JV's	0	0	0
Change in working capital and non-current provisions	-25	1	12
Cash flow from operating activities before interest and tax	18	60	124
Interest paid/received	0	-4	-6
Tax expenses paid	-4	-4	-8
Cash flow from operating activities	14	52	110
Cash flow from investment activities	-20	-32	-16
Cash flow from financing activities	-26	-45	-66
Net cash flow in the period	-32	-25	27
Cash and cash equivalents at January 1	237	210	210
Cash and cash equivalents at the end of the period	205	185	237

5. Information by segment

Condensed statement of profit or loss by segment

x € 1 million

1st half 2023	Property development	Building & Technology	Infra	Other/ eliminations	Total
Third parties	200	367	370	0	937
Intercompany		143	11	-154	0
Total revenues	200	510	381	-154	937
Underlying EBITDA	13	21	23	-8	49
Adjustment operating result joint ventures	-1		-1		-2
Write-down land/real estate					0
Acquisition costs				-3	-3
Restructuring costs		-1			-1
Total exceptional items	-1	-1	-1	-3	-6
Depreciation/amortisation	-1	-6	-10	-3	-20
Operating result	11	14	12	-14	23
Net financing costs					0
Result of joint ventures and associates					2
Result before tax					25
Tax result					-7
Result after tax					18
<i>Operating results as percentage of revenues</i>					<i>2.5%</i>
1st half 2022	Property development	Building & Technology	Infra	Others/ eliminations	Total
Third parties	294	275	294	1	864
Intercompany		154	15	-169	0
Total revenues	294	429	309	-168	864
Underlying EBITDA	21	17	34	-5	67
Adjustment operating result joint ventures	2	-1	-4		-3
Write-down land/real estate	-4				-4
Acquisition costs			-1		-1
Restructuring costs					0
Total exceptional items	-2	-1	-5	0	-8
Depreciation and amortisation	-1	-7	-9	-2	-19
Operating result	18	9	20	-7	40
Net financing costs					-2
Result of joint ventures and associates					1
Result before tax					39
Tax result					-9
Result after tax					30
<i>Operating result as percentage of revenues</i>					<i>4.6%</i>

Underlying EBITDA is the operating result before depreciation and amortisation, including EBITDA joint ventures, excluding write downs on property assets, restructuring costs, acquisition costs of new entities and any other non-operational results, if applicable, that are designated by the Group as special.

The underlying EBITDA of Infra in the first half of 2022 included the release of € 19 million from the provision Wintrack II (see note 6.5).

Condensed statement of financial position by segment

x € 1 miljoen

30 June 2023	Property development	Building & Technology	Infra	Others/ eliminations	Total
Assets	319	486	350	-116	1,039
Not allocated					26
Total assets	319	486	350	-116	1,065
Liabilities	180	414	265	-157	702
Not allocated					42
Total liabilities	180	414	265	-157	744
Equity					321
Total equity and liabilities					1,065
30 December 2022	Property development	Building & Technology	Infra	Others/ eliminations	Total
Assets	355	421	387	-108	1,055
Not allocated					28
Total assets	355	421	387	-108	1,083
Liabilities	206	359	298	-159	704
Not allocated					62
Total liabilities	206	359	298	-159	766
Equity					317
Total equity and liabilities					1,083

6. Selected notes

6.1 Reporting entity

Heijmans N.V. (the Company) has its registered office in the Netherlands. The Company's interim consolidated financial statements for the first six months of 2023 include the Company and its subsidiaries (collectively referred to as the Group) and the Group's interest in associates and joint arrangements.

6.2 Accounting principles

6.2.1 Statement of compliance

The interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for interim financial reporting as adopted by the European Union (IAS 34). The interim consolidated financial statements do not include all the information and disclosures required for full annual financial statements and should be read in conjunction with Heijmans' consolidated financial statements for the full year 2022.

The Executive Board prepared the interim consolidated financial statements on 28 July 2023.

6.2.2 Use of estimates and judgements

The preparation of the interim report requires the management to form judgements and make estimates and assumptions that may have an impact on the reported value of assets and liabilities and of income and expenses. The management makes the estimates and the assumptions upon which these are based on the basis of experience and other factors that are considered reasonable. The outcome of the estimates forms the basis for the carrying amount of assets and liabilities that are not readily apparent from other sources. The actual outcomes may differ from these estimates. The critical judgements that the management has formed in the application of the Group's accounting principles for financial reporting, together with the significant sources of any estimate-related uncertainties, are the same as those applied in Heijmans' consolidated financial statements for 2022, in view of the fact that there were no special circumstances that required any change in same. For a more detailed explanation of the limited impact of the nitrogen problem, climate matters and macro-economic development, see paragraphs 6.11 to 6.13.

6.3 Main accounting principles for financial reporting

The accounting principles applied in the preparation of the interim consolidated financial statements are consistent with those applied in the preparation of the annual consolidated financial statements for the financial year 2022.

6.4 Acquisition Van Wanrooij

On the 21st of June 2023 the Group announced that it has reached an agreement with Van Wanrooij Bouw & Ontwikkeling BV on the acquisition of its project development activities, construction company, carpentry factory and building materials business based on an enterprise value of € 298 million. After working capital adjustments and other corrections, the share purchase price resulted in € 292 million, to be raised with 6% interest between 1 January 2023 (effective date) and closing date. As a result of the acquisition, the Groups pro forma 2022 annual revenue will increase to € 2.2 billion (2022 stand alone: € 1.8 billion). The construction and development activities of Van Wanrooij are expected to add € 30-40 million of underlying EBITDA per year in the short term and € 50-70 million in the medium term.

The parties expect to close the agreement in the third quarter of 2023, subject to approval by the Dutch Consumer & Market Authority (ACM). As of the closing date, the result and the balance sheet of the acquired Van Wanrooij activities will be included in the consolidated statements of the Group. Heijmans' financiers agreed -subject to closing- upon an extension of the current revolving credit facility of € 117.5 million. This facility will be raised with € 60 million to € 177.5 million and the revolving credit facility will be extended to 5 years after the closing date. In addition, a Term Loan of € 80 million to be repaid over four years, is agreed upon. After the closing of the acquisition the net debt of Heijmans will be approximately € 150 million per 31 December 2023. This corresponds with a leverage ratio of approximately 1.

6.5 Wintrack II

The Wintrack II project is subject to increased estimation uncertainty. The contracts related to the construction of new high-voltage pylons for two routes: Eemshaven-Vierverlaten and Borssele-Rilland, to be carried out by the Heijmans Eurocoles B.V. consortium, and had a contract value of approximately € 250 million. In early September 2018, the client TenneT primarily dissolved the contracts and in the alternative terminated the contracts. The parties have filed considerable claims and counterclaims with regard to the contract sum.

On 3 May 2021, the Arbitration Board ruled that TenneT had lawfully dissolved the contracts out of court. On the basis of this ruling, Heijmans took a provision of € 34 million in H1 2021 for precautionary reasons. The final ruling on 7 April 2022 brought the proceedings in the first instance to a close. Heijmans Eurocoles B.V. lodged an appeal against the ruling of 3 May 2021, in which the arbitrators ruled that TenneT had lawfully dissolved the Wintrack contracts out of court. The appeal was postponed at the time pending the final ruling.

The final ruling was based on the interlocutory ruling issued in May 2021, in the sense that the question of whether the contracts had been lawfully dissolved out of court was not raised again. In their ruling of 7 April 2022, the arbitrators determined - in brief - that TenneT must still pay Heijmans Eurocoles B.V. a portion of the unpaid work and that Heijmans Eurocoles B.V. was not required to repay any instalments. The arbitrators rejected the advance payment of compensation claimed by TenneT. Both parties have appealed to the final ruling. The appeal proceedings are now continuing. The arbitrators' ruling to the effect that TenneT lawfully dissolved the contracts out of court will be raised again. The remainder of the case could still take several years. The arbitrators have stipulated that the appeal must first be completed before any damages can be determined in a damages assessment procedure.

On the basis of the ruling of 7 April 2022, Heijmans released an amount of €19 million from the aforementioned provision and included this in the results for the first half of 2022, and a provision of € 15 million remains as at 30 June 2022. The portion of the unpaid work which TenneT paid to Heijmans Eurocoles B.V. as a result of the judgment of 7 April 2022 had a limited impact on the results for the first half of 2022. For the rest, Heijmans has not recognised the claims of Heijmans Eurocoles B.V. against TenneT. If Heijmans Eurocoles B.V. is ultimately found to be in the wrong, and after completion of the pending damages assessment procedure, this could lead to a considerable outflow of resources (in addition to the € 15 million already set aside).

In the first half of 2023, no significant developments have occurred in this case. As of 30 June 2023 the provision still is € 15 million (same as of 30 June 2022 and 31 December 2022).

Heijmans Eurocoles B.V. , supported by its (external) lawyers, has lodged an appeal against the ruling and remains confident of a favourable outcome. End of August 2023 a court hearing is scheduled for the appeal.

6.6 Tax rate

The effective tax rate of 27.2% in H1 2023 was higher than the nominal tax rate of 25.8%, due to application of the participation exemption to the net positive (tax exempt) result of various participations.

6.7 Paid out (stock) dividends

The cash dividend on ordinary shares for 2022 paid in cash in May 2023 amounted to € 12.8 million. In May 2023, Heijmans issued 972,933 new shares and paid these out as stock dividend.

6.8 Share Matching Plan

In April 2020, Mr. Hillen used 30% of his short-term bonus granted for 2019 to purchase 13,000 depositary receipts for Heijmans shares. In line with the Share Matching Plan, the Group awarded one conditional share for each share purchased. These shares vested after three years. In April 2023, the Group repurchased 13,000 shares and awarded them to Mr. Hillen; these shares are subject to a mandatory lock-up period of two years.

In April 2023, Mr. Hillen and Mr. Van Boekel purchased 6,000 and 4,750 depositary receipts for Heijmans shares, for 24% and 25% respectively of their awarded 2022 short-term bonus. In line with the Share Matching Plan, the Group awarded one conditional share for each share purchased. These shares will become unconditional after three years.

6.9 Fair values

The table below lists the carrying amount and fair value of the Group's financial instruments:

x € 1 miljoen

	30 june 2023	
	Book value	Fair value
<i>Loans and receivables</i>		
Loans granted to joint ventures	11	11
Trade and other receivables	204	204
Cash and cash equivalents	205	205
Syndicated bank financing	0	0
Project financing	-12	-13
Other non-current liabilities	-2	-2
Trade and other payables	-337	-337
Total	69	68

The Group has no financial assets or financial liabilities measured at fair value.

6.10 Seasonal patterns

The usual seasonal patterns in the construction industry have an impact on the reported results, balance sheet and cash flows. Revenue and operating result are historically lower in the first half of a year than in the second half of a year. Working capital and net debt are historically higher in June than in December. In recent years, this effect has been more limited due to the fact clients pay relatively quickly and the Group has been able to invoice quickly, so that the level of work in progress is favourable (low).

6.11 Nitrogen issue

The impact of the nitrogen issue on the financial results was relatively limited in the first half of 2023. These problems are leading to delays in tenders for major infrastructure projects. The delay in the execution of our projects remains limited for the time being. The possible effects of delays in issuing permits are monitored constantly. The prospects for the Group in the years ahead are good, given the orders on the books (which are of a good quality and have a limited risk profile) and the leeway afforded by the financing facilities among other factors.

6.12 Climate matters

Climate change brings both risks and opportunities for the Group. These may have consequences for the medium-term forecasts that underlie the measurement of assets. From the analyses of the Group, it appears that the opportunities outweigh the risks. The Group sees no reason to downwardly revise his medium-term forecasts.

6.13 Macro-economic developments

The current economic situation is characterised by much uncertainty and is a result of high inflation, increased interest rates and geopolitical risks.

In the past year and a half, purchase costs in the construction sector have risen across the board and the availability of materials and labour has been under pressure. The Group is, therefore, not accepting large-scale or long-term work without arrangements on indexation.

The borrowing capacity of consumers has decreased due to the further increase in mortgage interest rates and rising energy costs. Given the consistently high demand for housing, the outlook for the housing market remains positive in the medium term, especially concerning the construction of energy-efficient homes

Since the Group had a net cash position during the first half year, higher interest rates had a positive effect on net interest income and expense.

7. Statement from the Executive Board

The Executive Board hereby states, taking into consideration what is stated in this report, that to the best of its knowledge the interim financial information related to the companies included in the consolidation, drawn up in accordance with IAS 34 'Interim Financial Reporting', as accepted within the European Union, gives a true and fair view of the assets, liabilities, financial position and the result for the first half of 2023 and that the interim report gives a true and fair summary of the most important events of the first half of the year and the impact of those events on the interim financial statements, a true and fair description of the main risks and uncertainties for the remaining periods of the year, as well as a true and fair view of the most important related party transactions.

's-Hertogenbosch, 28 July 2023

The members of the Executive Board

Ton Hillen, chairman

Gavin van Boekel